

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

**FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY**

AUTHORITY BOARD

Kathleen Carney
Don Davis
Howard Harrington
Dennis Palmer
Stuart Riley
Peter Robertson

WATER AUTHORITY ATTORNEY

Burchfield, Park & Pollesch

WATER AUTHORITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

PAGE NUMBER

INDEPENDENT AUDITORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS 6

FINANCIAL STATEMENTS

Statement of Net Assets 10

Statement of Revenues, Expenses and Changes in Net Assets 11

Statement of Cash Flows 12

NOTES TO FINANCIAL STATEMENTS 14

SUPPLEMENTARY INFORMATION

Schedule of Operations - Budget and Actual 21



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

April 30, 2008

Fonda, Island & Briggs Lake Joint Water Authority
P.O. Box 638
Brighton, Michigan 48116

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of Fonda, Island & Briggs Lake Joint Water Authority as of and for the year ended December 31, 2007. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities of Fonda, Island & Briggs Lake Joint Water Authority as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 6 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fonda, Island & Briggs Lake Joint Water Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND ANALYSIS

Within this section of the Fonda, Island & Briggs Lake Joint Water Authority's financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's financial statements. The financial statements include all the statements required by the Governmental Accounting Standards Board and the notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Authority's annual reports include two Authority-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a water system, only one fund is maintained. Thus, there are no fund financial statements prepared by the Authority.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Other supplementary information includes a budget to actual reconciliation for current year Authority operations.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$1,857,454. This is a \$31,892 increase over last year's net assets of \$1,825,562. The increase includes a prior period adjustment as discussed in Note 15.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	<u>12/31/2006</u>	<u>12/31/2007</u>
Current and other assets	\$ 328,583	\$ 401,465
Capital assets, net	<u>1,503,470</u>	<u>1,462,261</u>
Total assets	<u>1,832,053</u>	<u>1,863,726</u>
Current liabilities	<u>6,491</u>	<u>6,272</u>
Net assets		
Invested in capital assets	1,503,470	1,462,261
Unrestricted	<u>322,092</u>	<u>395,193</u>
Total net assets	<u>\$ 1,825,562</u>	<u>\$ 1,857,454</u>

Operating expenses decreased over the prior year, as Engineering and Legal expenses were reduced. Revenues decreased significantly because of a decrease in hook up fees, primarily due to a slowdown in new condominium development.

Summary of Changes in Net Assets

	<u>12/31/2006</u>	<u>12/31/2007</u>
Operating revenues	\$ 237,171	\$ 148,724
Operating expenses	<u>178,014</u>	<u>149,660</u>
Operating income (loss)	59,157	(936)
Non-operating revenues, net	<u>15,503</u>	<u>24,305</u>
Net income	74,660	23,369
Beginning net assets	1,750,902	1,825,562
Prior period adjustment	<u></u>	<u>8,523</u>
Ending net assets	<u>\$ 1,825,562</u>	<u>\$ 1,857,454</u>

Capital and Debt Administration

During the year, the Authority continued a water mapping/modeling project begun in the prior year. The project is carried as construction in progress until it is completed. The Authority expects to complete the project in 2008.

The Authority did not dispose of any capital assets during the year ended December 31, 2007.

As of December 31, 2007, the Authority did not have any outstanding long-term debt in the form of bonds or loans payable.

Economic Factors and Next Year's Goals

Although the Authority's financial outlook remains solid, it could be impacted by the economic struggles of the area. Developers have delayed the completion of condo construction projects, so water billing growth could decline. Water collections will also be negatively impacted by increased foreclosures. The population in the service area is expected to remain constant, however, and the Authority is unencumbered by debt. The housing market is expected to hit its low point late in the year so next year's economic environment should improve.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request additional information, please contact the Authority.

FINANCIAL
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 351,826	
Accounts receivable - billings	39,393	
Prepaid expense	<u>3,082</u>	
Total current assets		\$ 394,301

CURRENT ASSETS - RESERVED

Cash and cash equivalents		7,164
---------------------------	--	-------

CAPITAL ASSETS

Land	125,000	
Water system	2,201,885	
Improvements	154,001	
Office equipment	38,005	
Expansion - Park/Parent Drive	21,995	
Construction in progress	<u>15,777</u>	
	2,556,663	
Less: accumulated depreciation	<u>(1,094,402)</u>	
Capital assets, net		<u>1,462,261</u>
Total assets		<u><u>1,863,726</u></u>

LIABILITIES

LIABILITIES

Accounts payable - trade	5,602	
Payroll taxes payable	<u>670</u>	
Total current liabilities		<u>6,272</u>

NET ASSETS

NET ASSETS

Invested in capital assets	1,462,261	
Unrestricted	<u>395,193</u>	
Total net assets		<u><u>\$ 1,857,454</u></u>

The accompanying notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATING REVENUES		
Water billings	\$ 98,724	
Hook-up fees	<u>50,000</u>	
Total revenues		\$ 148,724
OPERATING EXPENSES		
Accounting	7,850	
Bank charges	578	
Billing expense	3,954	
Chemicals	3,300	
Computer	90	
Depreciation	56,986	
Dues and subscriptions	930	
Engineering	559	
Insurance	14,740	
Legal	1,143	
License, fees, permits	904	
Office expense	1,624	
Per diem	4,720	
Repairs and maintenance	17,055	
Taxes - payroll	1,662	
Telephone	3,273	
Utilities	7,534	
Wages - office	4,655	
Wages - system operator	17,475	
Water testing fees	<u>628</u>	
Total operating expenses		<u>149,660</u>
Operating income (loss)		(936)
NON-OPERATING REVENUES		
Miscellaneous and reimbursement income	15,669	
Interest income - from cash and cash equivalents	<u>8,636</u>	
Total non-operating revenues		<u>24,305</u>
Change in net assets		23,369
NET ASSETS, JANUARY 1, 2007		1,825,562
PRIOR PERIOD ADJUSTMENT		<u>8,523</u>
NET ASSETS, DECEMBER 31, 2007		<u>\$ 1,857,454</u>

The accompanying notes are an integral part of the financial statements

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 135,602
Payments to vendors	(70,559)
Payments to employees	(22,130)
Miscellaneous income	<u>15,669</u>

Net cash from operating activities \$ 58,582

CASH FLOWS FROM (USED IN) CAPITAL
AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets/construction (7,255)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received from cash and cash equivalents 8,636

Net increase in cash and cash equivalents 59,963

CASH AND CASH EQUIVALENTS AT JANUARY 1, 2007 299,025

CASH AND CASH EQUIVALENTS AT DECEMBER 31, 2007 \$ 358,988

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED FROM OPERATING ACTIVITIES

Operating income	\$ (936)
Miscellaneous income	15,669
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	56,986
Changes in assets and liabilities	
Receivables, net	(13,260)
Prepaid expenses	341
Accounts and other payables	<u>(218)</u>

Net cash provided from operating activities \$ 58,582

The accompanying notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ENTITY - The water Authority was formed as a corporate authority pursuant to the provisions of Act 196, Public Acts of 1952, as amended. Its primary purpose is to create, own, operate and maintain the water system. The system was constructed by the State of Michigan at no cost to the users. The expenses after completion of construction are to be incurred by the users. The accounts of Fonda, Island & Briggs Lake Joint Water Authority are organized as one proprietary fund (enterprise fund) which is considered a separate accounting entity.

A. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses. Enterprise funds account for activities:

1. that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
2. that are required by laws or regulations that the activity's costs of providing service, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar reviews; or
3. that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and enterprise funds reported on the proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

B. MEASUREMENT FOCUS

The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

C. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES (continued)

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 40 years for equipment and 5 to 50 years for buildings, structures, and improvements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. CONSTRUCTION-IN-PROGRESS

The costs of acquisition and construction of major plant and equipment is recorded as construction-in-progress. As facilities are accepted by the Authority and become operative, they are transferred to the facilities and improvements or machinery and equipment accounts and depreciated in accordance with the Authority's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

F. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

G. PREMIUM AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds. No bonds were outstanding or issued during the year ended December 31, 2007.

H. INCOME TAXES

As government agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - BUDGETARY DATA

The Authority follows these procedures in establishing its budgetary data:

1. The Authority prepares the annual operating budget and submits copies to the Brighton and Green Oak Township Boards.
2. Public hearings are conducted to obtain Authority customers' comments.
3. The budget is legally adopted by approval of the members of the Authority's board.
4. Rate increases must be approved by the members of the Authority's board.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of Federally insured banks, credit union, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The investment policy adopted by the Board is in accordance with Act 196 PA 1997. The Authority deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 109,484	\$ 109,484
Uninsured and uncollateralized	<u>249,506</u>	<u>255,886</u>
Total deposits	<u><u>\$ 358,990</u></u>	<u><u>\$ 365,370</u></u>

NOTE 5 - ACCOUNTS RECEIVABLE

The Authority's billing periods are as follows:

February	through	April
May	through	July
August	through	October
November	through	January

Thus, accounts receivable includes both billed receivables through October 2007 and an estimate of the November and December 2007 billings. The following is a schedule of the Authority's accounts receivable:

<u>Estimated Unbilled</u>	<u>Current</u>	<u>Over 30 days</u>	<u>Over 90 days</u>	<u>Total</u>
<u>\$ 10,386</u>	<u>\$ 0</u>	<u>\$ 21,803</u>	<u>\$ 7,204</u>	<u>\$ 39,393</u>

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - CAPITAL ASSETS

Property, plant and equipment are recorded at cost. The cost of the water system and expansion is depreciated over a 50 year period using the straight-line method. The cost of office equipment and improvements is depreciated over 5 to 10 years, also using the straight-line method. Depreciation for 2007 totaled \$56,986 and is reported as an operating expense on the Statement of Revenues, Expenses and Changes in Net Assets.

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
Land	\$ 125,000	\$	\$	\$ 125,000
Office equipment	38,005			38,005
Expansion	21,995			21,995
Water system	2,201,885			2,201,885
Improvements	154,001			154,001
Construction in progress		15,777		15,777
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost	2,540,886	15,777		2,556,663
Accumulated depreciation				
Water and sewer system	(1,037,416)	(56,986)		(1,094,402)
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, net	<u>\$ 1,503,470</u>	<u>\$ (41,209)</u>	<u>\$</u>	<u>\$ 1,462,261</u>

NOTE 7 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following summarizes beginning and ending cash and cash equivalents:

	1/1/2007	12/31/2007
Current assets		
Cash	\$ 182,442	\$ 351,826
Reserved current		
Cash and cash equivalents	116,586	7,164
	<hr/>	<hr/>
Total cash and cash equivalents	<u>\$ 299,028</u>	<u>\$ 358,990</u>
Reserved cash at beginning of year		116,586
Reserved interest on reserve		3,490
Transfer from reserved accounts		(112,912)
		<hr/>
Reserved cash at end of year		<u>\$ 7,164</u>

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 8 - RESERVED ASSETS

The amounts shown as reserved cash and cash equivalents are to be used for painting, replacement and improvement of the water system and water system components.

NOTE 9 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 10 - CONTINGENCIES

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

NOTE 11 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - RESERVED CASH AND CASH EQUIVALENTS

The Authority Board has designated monies being held in certificates of deposit for future water system improvements. Interest on these reserved funds totaled \$3,490 for the year ended December 31, 2007.

NOTE 13 - WATER BILLINGS

The system currently has 367 users that are billed quarterly for water service. Users are billed a minimum charge of \$ 55.00 per quarter for service, an increase during the year from \$50 per quarter.

NOTE 14 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating revenue	\$	148,724
Depreciation	\$	56,986
Working capital	\$	395,193
Total assets	\$	1,863,726
Total fund equity	\$	1,857,454
Net income (loss)	\$	23,369

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 15 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2007, the Authority discovered that engineering expense totaling \$8,523 should have been capitalized in the prior year. A prior period adjustment to beginning net assets for this amount has been recorded as of December 31, 2007 to capitalize the prior year's expense. The adjustment results in a decrease of prior year's expenses, and increase in beginning net assets of \$8,523. Prior years are not presented on the Statement of Revenues, Expenses and Changes in net Assets; therefore the adjustment for the cumulative effect of the prior period adjustment is presented as an adjustment to opening net assets on the Statement of Revenues, Expenses and Changes in Net Assets.

SUPPLEMENTARY
INFORMATION

FONDA, ISLAND & BRIGGS LAKE
JOINT WATER AUTHORITY
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES			
Water billings	\$	\$ 98,724	\$
Interest		8,636	
Tap-in fees		50,000	
Other income		15,669	
Total revenues	<u>\$ 198,140</u>	<u>\$ 173,029</u>	<u>\$ (25,111)</u>
OPERATING EXPENSES			
Accounting	\$	\$ 7,850	\$
Bank charges		578	
Billing expense		3,954	
Chemicals		3,300	
Computer		90	
Depreciation		56,986	
Dues and subscription		930	
Engineering		559	
Insurance		14,740	
Legal		1,143	
License, Fees, Permits		904	
Office expense		1,624	
Per diem		4,720	
Repairs and maintenance		17,055	
Taxes - payroll		1,662	
Telephone		3,273	
Utilities		7,534	
Wages - office		4,655	
Wages - system operator		17,475	
Water testing fees		628	
Total operating expenses	<u>\$ 191,725</u>	<u>\$ 149,660</u>	<u>\$ 42,065</u>

This schedule is prepared on a budgetary basis for the operating accounts of the enterprise fund and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

April 30, 2008

Board of Trustees
Fonda, Island & Briggs Lake Joint Water Authority
P.O. Box 638
Brighton, Michigan 48116

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Fonda, Island & Briggs Lake Joint Water Authority for the year ended December 31, 2007, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency.

Operating Income

The Authority had a net income of \$23,369 for the year ended December 31, 2007. This included connection fees of \$50,000. With the recent downturn in economic conditions, the connection fees are likely to decrease. The Authority may wish to evaluate the impact of the state's economic environment to the Authority's cash flow.

This letter does not affect our report dated April 30, 2008 on the financial statements of Fonda, Island & Briggs Lake Joint Water Authority.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and recommendation with various Authority personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants